

**Louisiana Citizens
Property Insurance Corporation**

**Financial Statements and
Supplementary Information
(Statutory Basis)**

December 31, 2011 and 2010

Under provisions of state law this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **SEP 12 2012**

Louisiana Citizens Property Insurance Corporation

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Louisiana Citizens Property Insurance Corporation
Metairie, Louisiana

We have audited the accompanying statutory statements of admitted assets, liabilities, surplus and other funds of Louisiana Citizens Property Insurance Corporation ("the Company") as of December 31, 2011 and 2010, and the related statements of income, accumulated surplus and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As described more fully in Note 1 to the financial statements, these financial statements were prepared in conformity with the accounting practices prescribed or permitted by the Louisiana Department of Insurance, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, are described in Note 12 to the financial statements.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Louisiana Citizens Property Insurance Corporation as of December 31, 2011 and 2010 or the results of its operations or its cash flows for the years then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the admitted assets, liabilities and accumulated surplus and other funds of Louisiana Citizens Property Insurance Corporation as of December 31, 2011 and 2010, and the results of its operations and its cash flows for the years then ended, on the basis of accounting described in Note 1.

Our audits were conducted for the purpose of forming an opinion on the basic 2011 and 2010 statutory financial statements taken as a whole. The supplementary information included in Schedules I and II as of and for the year ended December 31, 2011 is presented to comply with the National Association of Insurance Commissioners' Annual Statement Instructions and the National Association of Insurance Commissioners' Accounting Practices and Procedures Manual and is not a required part of the basic 2011 statutory statements. This additional information is the responsibility of the Company's management and was derived from and relates directly to the underlying accounting and other records used to prepare the statutory-basis financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic statutory-basis financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the statutory-basis financial statements or to the statutory-basis financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the statutory-basis financial statements taken as a whole.

Cam, Ruggie & Ingram, L.L.C.

New Orleans, Louisiana
May 31, 2012

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds

<u>December 31,</u>	<u>2011</u>	<u>2010</u>
Admitted Assets		
Cash and invested assets		
Bonds	\$ 42,492,865	\$ 49,976,407
Stocks	242,087,976	173,386,141
Cash and short-term investments	93,553,675	127,774,404
Total cash and invested assets	378,134,516	351,136,952
Premium receivables and agent's balances, net	21,932,011	25,509,984
Reinsurance receivable	5,334,599	6,080,755
Admitted electronic data processing equipment and software, at cost less accumulated of approximately \$15,229,295 and \$14,042,758 at December 31, 2011 and 2010, respectively	1,590,857	2,531,551
Emergency assessments receivable - 2005	856,200,000	894,025,000
Emergency assessments receivable - companies	17,872,268	18,661,694
Other receivables	223,460	508,307
Total admitted assets	\$ 1,281,287,711	\$ 1,298,454,243

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Admitted Assets, Liabilities, Surplus and Other Funds (Continued)

<u>December 31,</u>	<u>2011</u>	<u>2010</u>
Liabilities and Accumulated Surplus		
Liabilities		
Loss reserves	\$ 149,173,734	\$ 133,044,161
Loss adjustment reserves	9,361,232	14,294,189
Commissions payable to agents	3,997,126	4,582,456
Unearned premiums	97,867,554	104,301,326
Taxes, licenses, and fees due or accrued	277,900	295,189
Provision for reinsurance	176,020	491,230
Non-claim related litigation payable	22,500,000	-
Accounts payable and other accrued expenses	18,203,013	22,232,786
Amounts retained or withheld for others	14,658	8,645
Ceded reinsurance premiums payable, net of ceding commissions	490,979	499,132
Unearned tax exempt surcharge	3,096,928	3,298,825
Interest payable	3,831,747	3,967,088
Bonds payable	871,452,816	912,051,642
Liability for funds restricted for debt service (Note 7)	85,277,266	72,833,670
Total liabilities	1,265,720,973	1,271,900,339
Commitments and contingencies (Note 13)		
Surplus		
Unassigned surplus	15,566,738	26,553,904
Total accumulated surplus	15,566,738	26,553,904
Total liabilities and accumulated surplus	\$ 1,281,287,711	\$ 1,298,454,243

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Income

<i>Years ended December 31,</i>	2011	2010
Revenues		
Premiums earned	\$ 139,572,947	\$ 154,738,021
Losses and underwriting expenses		
Losses incurred	88,378,727	48,660,556
Loss adjustment expenses incurred	18,128,394	24,772,591
Other underwriting expenses	32,468,599	37,098,607
Total losses and underwriting expenses	138,975,720	110,531,754
Net underwriting gain	597,227	44,206,267
Net investment income	1,860,564	1,874,137
Realized gains on marketable securities	19,822	-
Interest expense	(43,921,340)	(45,915,994)
Emergency assessment income	42,448,158	44,438,433
Application and other miscellaneous fee income	2,487,006	3,016,713
Finances and service charges not included in premiums	825,542	751,113
Non-claim related litigation expense	(22,500,000)	-
Net loss from agent's or premium balances charged off	(774,798)	(171,450)
Net income (loss)	\$ (18,957,819)	\$ 48,199,219

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Changes in Accumulated Surplus and Other Funds

<u>Years ended December 31,</u>	<u>2011</u>	<u>2010</u>
UNASSIGNED SURPLUS (DEFICIT), beginning of year	\$ 26,553,904	\$ (28,561,650)
Net income (loss)	(18,957,819)	48,199,219
Change in nonadmitted assets	1,139,573	(816,656)
Change in provision for reinsurance	315,210	1,111,399
Change in tax exempt surcharge	6,250,542	6,631,040
Other gains and losses in surplus	265,328	(9,448)
UNASSIGNED SURPLUS, end of year	\$ 15,566,738	\$ 26,553,904

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Statutory Statements of Cash Flows

<i>Years ended December 31,</i>	2011	2010
Operating Activities		
Premiums, policy proceeds, and other considerations received, net of reinsurance	\$ 136,569,060	\$ 140,093,546
Underwriting expenses paid	(56,409,169)	(68,502,854)
Investment income received	(42,030,417)	(44,135,015)
Other revenues received	22,485,908	44,788,281
Losses and loss adjustment expenses paid	(69,919,927)	(25,519,442)
Net cash (used in) provided by operating activities	(9,304,545)	46,724,516
Investing Activities		
Proceeds from investments sold or matured	253,621,213	220,177,392
Cost of investments acquired	(314,812,497)	(288,521,101)
Net cash used in investing activities	(61,191,284)	(68,343,709)
Financing Activities and Miscellaneous		
Payments on borrowed funds	(40,734,167)	(38,711,749)
Other cash provided	77,009,267	54,734,461
Net cash provided by financing activities and miscellaneous	36,275,100	16,022,712
Net decrease in cash and short-term investments	(34,220,729)	(5,596,481)
Cash and short-term investments, beginning of year	127,774,404	133,370,885
Cash and short-term investments, end of year	\$ 93,553,675	\$ 127,774,404

See notes to statutory basis financial statements

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 1 – ORGANIZATION AND FINANCIAL STATEMENT PRESENTATION

Louisiana Citizens Property Insurance Corporation (the "Company") is a component unit of the State of Louisiana. The Company's principal business activity is to operate insurance plans which provide property insurance for residential and commercial property, solely for applicants who in good faith are entitled, but are unable to procure insurance through the voluntary market. Louisiana Citizens Property Insurance Corporation was created in accordance with provisions of Louisiana Revised Statute (LRS) 22:2293 and began operations on January 1, 2004. The Company operates solely in Louisiana. The Company operates residual market insurance programs designated as the Coastal Plan and the Fair Access to Insurance Requirements Plan (FAIR Plan). The Coastal Plan is for property insurance written on locations between the Gulf of Mexico and the Intracoastal Waterway and the FAIR Plan is for property insurance above the Intracoastal Waterway.

The Company is governed by a board of directors consisting of fifteen members, who serve without compensation. The Board consists of the Commissioner of the Department of Insurance, the State Treasurer, the chairman of the House Committee on Insurance, the chairman of the Senate Committee on Insurance or their designees, six representatives appointed by the Governor, two members appointed by the Commissioner of the Louisiana Department of Insurance, and three members appointed by the Governor.

The accompanying financial statements have been prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance. The State of Louisiana generally requires that insurance companies domiciled in the State of Louisiana prepare their statutory basis financial statements in accordance with the National Association of Insurance Commissioners (NAIC) Accounting Practices and Procedures Manual. Such practices vary from accounting principles generally accepted in the United States of America (GAAP). The more significant variances from GAAP are as follows:

- Commissions and other costs of acquiring insurance are expensed when incurred rather than capitalized and amortized over the terms of the related policies as required by GAAP.
- Certain assets designated as "nonadmitted" are excluded from the balance sheet and are charged directly to unassigned surplus.
- Reserves for losses and loss adjustment expenses are reported net, rather than gross, of certain reinsurance recoverables.
- The statement of cash flows is presented in the required statutory format. This format differs from the format specified by GAAP which requires a reconciliation of net income to net cash flow from operating activities and supplemental schedules of noncash financing and investing activities.
- Comprehensive income and its components are not presented in the financial statements as is required by Accounting Standards Codification (ASC) 220, *Comprehensive Income*.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 1 – ORGANIZATION AND FINANCIAL STATEMENT PRESENTATION (CONTINUED)

- Cash and short-term investments in the statement of cash flows represent cash balances and investments with initial maturities of one year or less. Under GAAP, the corresponding caption of cash and cash equivalents includes cash balances and investments with initial maturities of three months or less. Also, under GAAP, short-term investments are disclosed separately from cash and include investments with remaining maturities of one year or less.

The aggregate effect on the accompanying statutory financial statements of the variations from GAAP is outlined in Note 12 to the financial statements.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are prepared in conformity with accounting practices prescribed or permitted by the Louisiana Department of Insurance which require management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates.

In connection with the preparation of the financial statements, management of the Company evaluated subsequent events through May 31, 2012, which was the date the financial statements were available to be issued.

Cash and Short-Term Investments

For the purpose of reporting cash flows, cash and short-term investments include all liquid investments with a maturity of one year or less when purchased. Short-term investments are stated at market, which approximates fair value. The Company holds cash of approximately \$65 million and short-term investments of approximately \$28 million.

Bonds

Bonds, which consist solely of debt securities, are recorded at admitted asset values as prescribed by NAIC valuation procedures, and are rated in accordance with current NAIC guidelines. Debt securities are stated at amortized cost using the interest method.

Equity Investments

Equity investments held by the Company represent money market mutual funds. Shares of mutual funds, regardless of the underlying security, are considered to be shares of common stock and are reported as such as designated by NAIC reporting requirements. These funds, for fair value purposes are stated at market, which approximated fair value.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

EDP Equipment and Operating System Software

Electronic Data Processing (EDP) equipment and software purchased or developed for internal use with an original cost of over \$1,000,000 is capitalized and depreciated. EDP equipment and software with an original cost of \$16,820,151 and \$16,574,309 at December 31, 2011 and 2010, respectively, is being depreciated using the straight-line method over the software's useful life of three years, in accordance with NAIC statutory requirement. Depreciation expense for admitted EDP equipment and operating system software approximated \$1,200,000 and \$2,900,000 for the years ended December 31, 2011 and 2010, respectively.

Depopulation

The Company is required to undertake a depopulation effort annually per Louisiana state statute R.S. 22:2314. The Company accounts for premiums of depopulated policies as a reduction of direct premiums written. Losses and other costs associated with depopulated policies are assumed by the acquiring entity and thus are removed from the Company's financial statements.

Loss Reserves and Loss Adjustment Expense Reserves

The liabilities for losses and loss adjustment expenses include an amount determined from loss reports and individual cases and an amount, based on historical data, for losses incurred but not reported. Such liabilities are necessarily based on estimates and, while management believes that the amount is adequate, the ultimate liability may be in excess of or less than the amounts provided. The methods for making such estimates and for establishing the resulting liabilities are continually reviewed, and any adjustments are reflected in current earnings.

Premiums

Premiums are recorded as earned on a daily pro rata basis over the policy period. The portion of premiums not earned as of the end of the period are recorded as unearned premiums.

Premiums receivable includes amounts due from policyholders for billed premiums. Billings are calculated using the annual premiums for each policy and are paid either through an installment plan offered by the Company or in their entirety at the inception of the policy.

Market Risk

The Company underwrites residential and commercial property insurance policies in the State of Louisiana through the Coastal Plan and the FAIR Plan. Therefore, adverse economic changes or certain changes in the insurance laws of the State of Louisiana could have a significant impact on the Company's future financial position and results of operations.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Market Risk (continued)

The Coastal Plan is for property insurance written on locations between the Gulf of Mexico and the Intracoastal Waterway. The FAIR Plan is for property insurance above the Intracoastal Waterway. Therefore, severe storm activity in any of these areas or throughout the State of Louisiana could have a significant impact on the Company's future financial position and results of operations.

Assessments

In the event that the Governing Board of the Company determines that a deficit exists in either the Coastal Plan or the FAIR Plan, the Company may levy a regular assessment for each affected Plan in order to remedy any deficit. All insurers who become authorized and then engage in writing property insurance within Louisiana shall participate in regular assessment of the Coastal and FAIR Plans in the proportion that the net direct premium of such participant written in the State during the preceding calendar years bears to the aggregate net direct premiums written in the State by all insurers during the preceding calendar year as certified to the Governing Board by the Louisiana Insurance Rating Commission.

When the deficit incurred in a particular calendar year is not greater than ten percent of the aggregate state wide direct written premium for the subject lines of business for the prior calendar year, the entire deficit will be recovered through regular assessments. When the deficit incurred exceeds ten percent, the regular assessment may not exceed the greater of ten percent of the calendar year deficit, or ten percent of the aggregate statewide direct written premium for the subject lines of business for the prior calendar year. Any remaining deficit shall be recovered through an emergency assessment.

All persons who procure a policy of insurance of one or more subject lines of business from an insurer who becomes authorized and then engages in writing property insurance within Louisiana from the FAIR or Coastal Plans are subject to emergency assessment by the Company.

Upon determination by the Governing Board of the Company that a deficit exceeds the amount allowed to be recovered through regular assessment, the governing Board shall levy an emergency assessment for as many years as necessary to cover all deficits. The amount of emergency assessment levied in a particular year shall be a uniform percentage of that year's direct written premium for the subject lines of business. The total amount of emergency assessment levied in any calendar year will not exceed the greater of (a) ten percent of the amount needed to cover the original deficit plus interest, fees, commissions, required reserves, and other costs associated with the financing of the original deficit, or (b) ten percent of the aggregate state wide direct written premiums for subject lines of business and for all plan accounts of the Company for the prior year, plus interest, fees, commissions, required reserves, and other costs associated with financing the original deficit. To the extent the aggregate amount of the emergency assessment will not exceed the greater of (a) or (b) above, the governing Board shall impose an emergency assessment in the amount required by any applicable loan agreement, trust indenture or other financing agreement.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Liability for Funds Restricted For Debt Service and Related Accounting Changes

The Commissioner of Insurance has the right to permit other specific practices that deviate from prescribed practices. During the second quarter of 2009, with agreement from the Louisiana Department of Insurance ("the Department"), the Company received permission from the Department to reclassify, as a liability, the excess emergency assessments collected that were greater than the debt service costs since the inception of the bond debt in 2006 with the cumulative excess amount being \$85,277,266 and \$72,833,670 at December 31, 2011 and 2010, respectively. The Company will record emergency assessment collections and costs through net income only in amounts sufficient to offset interest costs and amortization of bond issuance costs.

Reinsurance

Premiums ceded under reinsurance agreements are recorded as a reduction of earned premiums. Reinsurance recoverables on unpaid losses are recorded as a reduction of losses incurred and loss adjustment expenses incurred. Reinsurance recoverable on paid losses are recorded as an asset in the accompanying of admitted assets, liabilities, and accumulated deficit. All catastrophe reinsurance payments are recorded as premiums ceded and are amortized over the life of the hurricane season for which the payments apply. Premiums ceded include catastrophe reinsurances purchases.

Income Taxes

The Company constitutes an integral part of the State of Louisiana and its income is exempt from federal income tax pursuant to Private Letter Ruling 160165-03 from the Internal Revenue Service. Obligations issued by the Company constitute obligations of the State of Louisiana within the meaning of section 103(c)(1) of the Internal Revenue Code.

Financial Instruments

The carrying value of cash and cash equivalents, premiums receivable, other admitted assets and other liabilities approximates fair value given their short-term nature.

Unlike private insurers that are subject to liquidation in the event of insolvency, the Company is able (and statutorily required) to levy assessments in the event of a deficit in any or all of its accounts.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 3 – REPURCHASE AGREEMENTS

In 2006, the Company entered into a Repurchase Agreement with Societe Generale, New York Branch to invest a portion of the Debt Service Reserve Fund. The agreement requires Societe Generale to maintain margins on collateral of 104% to 105% of market value depending on the type of collateral. Acceptable securities are GNMA, Government Agencies, mortgage backed securities of FHLMC or FHLB and U.S. Treasury securities. The custodian for the collateral is Wells Fargo Bank, N.A.

The collateral percentage, fair value and book value of collateral accepted from Societe Generale as of December 31, was

	Collateral Percentage	Book Value	Fair Value
December 31, 2011	106.98%	\$ 30,273,760	\$ 28,298,272
December 31, 2010	106.26%	\$ 30,070,516	\$ 28,298,272

NOTE 4 – BONDS

The amortized cost and aggregate fair value of bonds were as follows

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2011				
U.S. Treasury Securities	\$ 42,492,865	\$ 95,883	\$ -	\$ 42,588,748

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
December 31, 2010				
U.S. Treasury Securities	\$ 49,976,407	\$ -	\$ (86,139)	\$ 49,890,268

Gross unrealized losses on U.S. Treasury Securities have been in a continuous unrealized loss position for less than twelve months and have been deemed not to be other-than-temporarily impaired.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 4 – BONDS (CONTINUED)

The unrealized losses on the Company's investment in U S Treasury Securities at December 31, 2010 were caused by interest rate increases. The Company purchased those securities at a discount relative to their face amounts, and the contractual cash flows of those investments are guaranteed by an agency of the U S government. Accordingly, it is expected that the securities would not be settled at a price less than the amortized cost bases of the Company's investments. Because the decline in market value is attributable to interest rates and not credit quality, and because the Company does not intend to sell the investments before recovery of their amortized cost bases, which may be maturity, the Company does not consider these investments to be other-than-temporarily impaired at December 31, 2010.

Fair value was determined based on market prices published by the NAIC Securities Valuation Office (SVO), if the securities are priced by the NAIC. When prices are not available from the NAIC, fair market value is based on the market prices provided by Interactive Data, a pricing service.

The amortized cost and fair value of securities at December 31, 2011, by contractual maturity, are shown below. Actual maturities may differ from contractual maturities because borrowers may have the right to call or repay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ -	\$ -
Due after one year through five years	42,492,865	42,588,748
Due after five years through ten years	-	-
Due after 10 years	-	-
Total	\$ 42,492,865	\$ 42,588,748

Net investment income consists of

<i>Years ended December 31,</i>	2011	2010
Interest earned on U S Treasury Securities	\$ 373,480	\$ 93,153
Interest earned on money market mutual funds	395,994	33,250
Interest earned on cash, cash equivalents and short-term investments	1,105,590	1,752,234
Investment expenses	(14,500)	(4,500)
Total	\$ 1,860,564	\$ 1,874,137

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 5 – LIABILITIES FOR LOSS AND LOSS ADJUSTMENT EXPENSES

Activity in the liabilities for loss and loss adjustment expenses is summarized as follows (in thousands of dollars)

<i>Years ended December 31,</i>	2011	2010
Balance at January 1	\$ 147,338	\$ 192,834
Incurring related to		
Current year	78,851	40,388
Prior years		
Policyholder obligations	27,656	33,045
Total incurred	106,507	73,433
Paid related to		
Current year	64,331	29,290
Prior years		
Extra contractual obligations	-	25,725
Policyholder obligations	30,979	63,914
Total paid	95,310	118,929
Balance at December 31	\$ 158,535	\$ 147,338

For both catastrophic and non-catastrophic claims, the loss adjusting function is performed by the Company through its employees and through contracted independent adjusting firms. The Company compensates the independent adjusting firms, depending upon the type or nature of the claims, either on per-day rate or on a graduated fee scheduled based on the gross claim amount, consistent with industry standard methods of compensation.

The Company is involved in a number of class action lawsuits and other legal proceedings arising out of various aspects of its business which have been reserved for above. See Note 13 for a description of these class action claims.

NOTE 6 – AGENT COMMISSIONS AND SERVICING COMPANY FEES

The Company policies are written by various insurance agents licensed in the State of Louisiana. These agents are compensated at commission rates established by the Board and calculated as a percentage of direct written premiums, net of certain surcharges and assessments. Agent commissions included in other underwriting expenses incurred were approximately \$19 and \$20 million during 2011 and 2010, respectively.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 6 – AGENT COMMISSIONS AND SERVICING COMPANY FEES (CONTINUED)

Additionally the Company has entered into agreements with two servicing companies to provide underwriting and policy management services. The agreements provide for monthly compensation to the servicing companies based on a "Per Transaction Fee" applied to the number of transactions processed in a monthly cycle. During 2010, the servicing agreements were extended under the same (or similar) terms and expire on March 31, 2012. Servicing company fees incurred and included in other underwriting expenses incurred were approximately \$4.1 million and \$5.6 million during 2011 and 2010.

NOTE 7 – CAPITAL AND ACCUMULATED SURPLUS

Changes in balances of surplus from the prior year are, in part, due to collections made by the Company during the normal course of collecting policy component charges. The policy component charge affecting surplus funds is the tax exempt surcharge.

In 2005, the Company suffered losses of \$1.3 billion as a result of hurricanes Katrina and Rita. In 2006, the Company issued \$978.2 million of bonds to pay for these losses. Under LRS 22:2291, the Company may assess, in any one year, up to 10% of the total property taxes assessable state-wide to pay the debt service on the bonds. The total statewide assessable premiums are approximately \$2.3 billion.

Emergency assessments were as follows:

Years ended December 31,		2011	2010
2007	3.6% assessment rate	\$ 78,012,088	\$ 78,012,088
2008	5.0% assessment rate	99,751,686	99,751,686
2009	5.0% assessment rate	116,401,088	116,401,088
2010	4.3% assessment rate	93,576,071	93,576,071
2011	4.0% assessment rate	92,716,753	-
		480,457,686	387,740,933
Plus cumulative bond earnings		45,230,382	43,742,699
Less cumulative debt service		(440,410,802)	(358,649,962)
Liability for funds restricted for debt service		\$ 85,277,266	\$ 72,833,670

The unassigned surplus approximated \$15.6 million and \$26.5 million at December 31, 2011 and 2010, respectively. Approximately \$497.7 million of future emergency assessments are attributed to the 2005 operating loss.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 8 – REINSURANCE AGREEMENTS

The Company purchases private reinsurance through Aon Benfield, Inc., as a licensed reinsurance intermediary. The participating reinsurance companies will reimburse the Company, through the intermediary, a specified percentage of losses incurred if a prescribed retention is reached.

The Company purchases reinsurance based on levels of loss. The Company is liable for the first amount of ultimate net loss, shown in the table below as "Company Retention", arising out of each loss occurrence. The reinsurer is then liable, as respects each excess layer, for the amount by which such ultimate net loss exceeds the Company's applicable retention for that layer. However, the liability of the reinsurer under any excess layer of reinsurance coverage provided does not exceed either of the following: (1) the amount shown below as "Reinsurer Per Occurrence Limit" for that excess layer as respects loss or losses arising out of any one loss occurrence, or (2) the amount shown as "Reinsurer's Term Limit" for that excess layer. Each excess layer of reinsurance coverage provided is as follows:

For the year ended December 31, 2011

	January 1, 2011 to May 31, 2011		June 1, 2011 to December 31, 2011	
	First Excess	Second Excess	First Excess	Second Excess
Company's Retention	\$ 100,000,000	\$ 200,000,000	\$ 75,000,000	\$ 200,000,000
Reinsurer's Per Occurrence Limit	\$ 100,000,000	\$ 300,000,000	\$ 125,000,000	\$ 300,000,000
Reinsurer's Term Limit	\$ 200,000,000	\$ 600,000,000	\$ 250,000,000	\$ 600,000,000
Annual Minimum Premium	\$ 16,800,000	\$ 33,000,000	\$ 24,000,000	\$ 36,000,000
Adjustment Rate	0.078723%	0.154634%	0.125520%	0.188280%

For the year ended December 31, 2010

	January 1, 2010 to May 31, 2010		June 1, 2010 to December 31, 2010	
	First Excess	Second Excess	First Excess	Second Excess
Company's Retention	\$ 100,000,000	\$ 200,000,000	\$ 100,000,000	\$ 200,000,000
Reinsurer's Per Occurrence Limit	\$ 100,000,000	\$ 300,000,000	\$ 100,000,000	\$ 300,000,000
Reinsurer's Term Limit	\$ 200,000,000	\$ 600,000,000	\$ 200,000,000	\$ 600,000,000
Annual Minimum Premium	\$ 19,800,000	\$ 40,400,000	\$ 16,800,000	\$ 33,000,000
Adjustment Rate	0.090000%	0.183636%	0.078723%	0.154634%

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 8 – REINSURANCE AGREEMENTS (CONTINUED)

In the event that all or any portion of the reinsurance under the excess layer above is exhausted by loss, the amount exhausted will be reinstated immediately upon payment of a reinsurance premium. The Company has entered into a Reinsurance Premium Protection (RPP) contract which guarantees payment of the reinstatement premium.

The effect of reinsurance on premiums written and earned is as follows:

Years ended December 31,	2011 Premiums		2010 Premiums	
	Written	Earned	Written	Earned
Direct	\$ 197,175,053	\$ 204,232,519	\$ 209,945,978	\$ 217,860,190
Ceded	(64,659,572)	(64,659,572)	(63,122,169)	(63,122,169)
Net premiums	\$ 132,515,481	\$ 139,572,947	\$ 146,823,809	\$ 154,738,021

Amounts recoverable from reinsurers on unpaid losses and loss adjustment expenses are estimated based on the allocation of estimated unpaid losses and loss adjustment expenses among coverage lines. Actual amount recoverable will depend on the ultimate settlement of losses and loss adjustment expenses. Reinsurance contracts do not relieve the Company from its obligation to policyholders. The Company remains liable to its policyholders for the portion reinsured to the extent that any reinsurer does not meet the obligations assumed under their reinsurance agreements.

The reserve for uncollectable reinsurance recoverables at December 31, 2011 and 2010 were as follows:

December 31,	2011	2010
AXA Re	\$ -	\$ 107,432
Lehman Reinsurance Co. Ltd	-	356,939
Quanta Reinsurance Ltd	-	26,859
Colisee Re	172,162	-
Mapfre Re Compania De Reasegueros Sa	3,858	-
	\$ 176,020	\$ 491,230

NOTE 9 – BONDS PAYABLE

Series 2006B – During April 2006, the Company issued \$678,205,000 of assessment revenue bonds for the purpose of redeeming bond anticipation notes issued to finance, on an interim basis, a portion of the Plan Year Deficit for 2005 in the FAIR Plan resulting from Hurricanes Katrina and Rita, to finance the balance of the Plan Year Deficit for 2005, to make deposits to the Capitalized Interest Fund and the Debt Service Reserve Fund and to pay costs of issuance. The bonds were issued in denominations of \$5,000 or any integral multiple thereof. The 2006B bonds bear interest ranging from 4.00% to 5.25% per annum, payable semiannually on June 1.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 9 – BONDS PAYABLE (CONTINUED)

and December 1 of each year, commencing December 1, 2006. The bonds are secured, together with additional bonds, if any, by pledged revenues, which include primarily the 2005 Emergency Assessments. The bonds are not secured by the full faith and credit of the State of Louisiana. Payment of the principal of and interest on the bonds when due is insured by a bond insurance policy. The bond maturity dates range from June 1, 2009 to June 1, 2023. Bond principal payments of \$35,080,000 and \$34,360,000 were made in 2011 and 2010, respectively.

Series 2006C1 through 2006C4 – During April 2006, the Company issued \$300,000,000 of assessment revenue bonds at auction rate for the purpose of redeeming bond anticipation notes issued to finance, on an interim basis, a portion of the Plan Year Deficit for 2005 in the FAIR Plan resulting from Hurricanes Katrina and Rita, to finance the balance of the Plan Year Deficit for 2005, to make deposits to the Capitalized Interest Fund and the Debt Service Reserve Fund and to pay cost of issuance. The bonds were issued in denominations of \$25,000 or any integral multiple thereof. Prior to their remarketing explained below, interest on the bonds adjusted based upon 35-day Auction Periods. Generally, the interest payment date for an auction period was the business day immediately following each auction period. The length of the auction period with respect to the bonds could be changed at the option of the Company in accordance with the auction agreement. The bonds are secured, together with additional bonds, if any, by pledged revenues, which include primarily the 2005 Emergency Assessments. The bonds are not secured by the full faith and credit of the State of Louisiana. Payment of the principal and interest on the bonds when due is insured by a bond insurance policy. The bonds were reoffered in March 2009 after the Auction Rate Securities market collapsed.

During March 2009, the 2006C1 through 2006C4 series were reoffered in connection with the conversion of the interest rate from the auction mode rate to the long term interest rate and the remarketing of the 2006C bonds. In connection with the conversion and remarketing of the Series 2006C bonds, the original seventh supplement indenture was amended and restated by the amended and restated seventh supplemental indenture of trust dated as of April 1, 2009. The Series 2006B bonds were originally issued for the purpose of providing funds to redeem bond anticipation notes issued to finance, on an interim basis, a portion of the Plan Year Deficit for 2005 in the FAIR Plan resulting from hurricanes Katrina and Rita, to finance the balance of the Plan Year Deficit for 2005, to make deposits to the capitalized interest fund and the debt service reserve fund for the Series 2006C bonds and to pay costs of issuance. The Series 2006C bonds were remarketed in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. On and after the respective conversion dated of each subseries of the series 2006C bonds, interest on the bonds is payable on each June 1 and December 1 commencing June 1, 2009, until maturity or prior redemption and the bonds were converted to the long-term interest rate on May 6, 2009. The 2006C bonds bear interest ranging from 2.75% to 6.75% per annum. On and after the respective conversion dates of each subseries of the series 2006C bonds, the scheduled payment of principal and interest on such subseries of the bonds, when due, is guaranteed under a financial guaranty insurance policy issued concurrently with the delivery of such subseries of the 2006C bonds by Assured Guaranty Corp. The Series 2006C bonds are subject to optional redemption prior to maturity. The bond maturity dates range from June 1, 2009 to June 1, 2026. Principal payments were \$2,745,000 and \$1,670,000 in 2011 and 2010, respectively.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 9 – BONDS PAYABLE (CONTINUED)

A schedule of debt service requirements, including bond premiums and discounts, is as follows

<u>Maturity</u>	
2012	\$ 41,941,082
2013	43,691,259
2014	45,581,720
2015	47,634,825
2016-2020	271,547,603
2021-2025	340,874,685
2026-2030	80,181,642
	<u>\$ 871,452,816</u>

Net unamortized premium at December 31, 2011 and 2010 was approximately \$15.2 million and \$18.0 million, respectively

The total interest expense on the fixed rate bonds for the years ended December 31, 2011 and 2010 was approximately \$44 and \$46 million, respectively, including annual amortized premium of \$3 million, and is included in "Interest expense, net" in the accompanying Statutory Statement of Operations

NOTE 10 – RETIREMENT PLAN

Prior to September 1, 2008, the Company sponsored a non-contributory defined benefit pension plan covering all employees that were hired prior to April 1, 2008, through a services agreement with Property Insurance Association of Louisiana (PIAL) in which retirement expenses were previously reimbursed to PIAL. As of September 1, 2008, the Company froze its defined benefit pension plan and converted it to a defined contribution plan. The Company contributes 11% of each employee's wages to the defined contribution plan. Contributions are expensed each month and the Company carried no assets or liabilities for the defined contribution plan on its statement of admitted assets, liabilities and surplus. The Company's contribution to the plan was approximately \$733,625 and \$406,311 in 2011 and 2010, respectively.

In addition, the Company sponsors a contributory 401k plan covering eligible employees for which the Company matches 75% of employee contributions up to a maximum of 6% of eligible compensation. Contributions by the Company to the 401k plan during 2011 and 2010 totaled \$191,280 and \$163,489, respectively.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 11 – LEASES

The Company is obligated under certain non-cancelable operating leases for office space that will expire in July 2014. The future minimum payments as of December 31, 2011 follow:

<i>Years ending December 31,</i>		
2012	\$	449,026
2013		451,964
2014		264,666
	\$	1,165,656

Rental expense for 2011 and 2010 was approximately \$455,000 and \$439,000, respectively

NOTE 12 – RECONCILIATION OF GAAP AND STAT BASES OF ACCOUNTING

Accounting principles generally accepted in the United States of America (GAAP basis) differ in certain respects from the accounting practices prescribed or permitted by insurance regulatory authorities (statutory basis). A reconciliation between the change in net assets and the deficiency in net assets as reported under GAAP basis and statutory basis follows

<i>Years ended December 31,</i>	2011	2010
Change in net assets - GAAP basis	\$ 36,887,388	\$ 101,416,186
Adjustments to:		
Policy acquisition costs	705,747	791,421
Pension and employee benefit plan expense	(569,547)	(739,032)
Bond issuance costs	1,242,800	(2,713,963)
Excess emergency assessments	(50,268,596)	(49,137,638)
Allowance for doubtful accounts	(1,443,136)	4,476,727
Other	940,012	727,113
Tax exempt surcharge	(6,452,437)	(6,621,595)
Net income (loss) - Statutory Basis	\$ (18,957,819)	\$ 48,199,219

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 12 – RECONCILIATION OF GAAP AND STAT BASES OF ACCOUNTING (CONTINUED)

<i>December 31,</i>	2011	2010
Total deficiency in net assets - GAAP basis	\$ (730,874,526)	\$ (767,761,914)
Adjustments to		
Non-admitted assets	(4,919,524)	(6 059,096)
Policy acquisition costs	(9,343,018)	(10,048,765)
Other accrued liabilities	1,013,413	579,564
Bond issuance costs	(14,888,461)	(16,131,261)
Excess emergency assessments	(85,277,266)	(72,833,670)
Allowance for doubtful accounts	3,832,140	5,275,276
Assessments receivable	856,200,000	894,025,000
Provision for reinsurance	(176,020)	(491,230)
Accumulated surplus - Statutory basis	\$ 15,566,738	\$ 26,553,904

NOTE 13 – COMMITMENTS AND CONTINGENCIES

The Company is involved in certain litigation and disputes incidental to its operations. In the opinion of management, after consultation with legal counsel, there are substantial defenses to such litigation and disputes and any ultimate liability, in excess of reserves resulting there from, will not have a material adverse effect on the Company's financial condition or results of operations.

The Company is also involved in other potentially significant litigation described below; any of which could have a material adverse effect on the financial condition or results of operations. These matters raise difficult and complicated factual and legal issues and are subject to many uncertainties and complexities, including the underlying facts of each matter, novel legal issues; variations between jurisdictions in which matters are being litigated, heard, or investigated; differences in applicable laws and judicial interpretations, the length of time before many of these matters might be resolved by settlement, through litigation or otherwise, and the current legal environment faced by large corporations and insurance companies.

The outcome of these matters may be affected by decisions, verdicts, settlements and the timing of such in other individual and class action lawsuits that involve the Company, other insurers, or other entities and by other legal, governmental, and regulatory actions that involve the Company, other insurers, or other entities. The outcome may also be affected by future state legislation, the timing or substance of which cannot be predicted.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

In lawsuits, plaintiffs seek a variety of remedies. In some cases, the monetary damages sought include punitive or treble damages. Often specific information about the relief sought, such as the amount of damages is not available. When specific monetary demands are made, they are often set just below a state court jurisdictional limit in order to seek the maximum amount available regardless of the specifics of the case.

For the reasons previously specified, it is often not possible to make meaningful estimates of the amount or range of loss that could result from the known and unknown matters described. The Company reviews these matters on an ongoing basis and follows appropriate accounting guidance when making accrual and disclosure decisions. When assessing "reasonably possible" and "probable" outcomes, the Company bases its decisions on its assessment of the ultimate outcome following all appeals. Additionally, in instances where a judgment, assessment or fine has been rendered against the Company, there is a presumption that criteria in reaching a "reasonably possible" and "probable" outcome has been met. In such instances, the amount of liability recorded by the Company will include the anticipated settlement amount, legal costs, insurance recoveries and other related amounts and take into account factors such as the nature of the litigation, progress of the case, opinions of legal counsel, and management's intended response to the litigation, claim, or assessment.

Due to the complexity and scope of the matters disclosed below and the many uncertainties that exist, the ultimate outcome of these matters cannot be reasonably predicted. In the event of an unfavorable outcome in any one or more of these matters, the ultimate liability may be in excess of amounts currently reserved.

A summary of potentially significant litigation follows:

Geraldine Oubre v. Louisiana Citizens: This is a class action. The plaintiffs allege that the Company failed to timely initiate loss adjustment for claims related to the occurrences of Katrina and Rita. Efforts to defeat class certification failed at the trial court level, the Fifth Circuit Court of Appeal and the Louisiana Supreme Court. The Company's motion for a new trial was denied by the court. In March 2009, the 24th Judicial District Court granted summary judgment awarding the maximum penalty of \$5,000 per class participant to approximately 18,600 individuals or a total of approximately \$92.8 million to the class. In November 2010, however, the Fifth Circuit Court of Appeal vacated the decision of the 24th Judicial District Court, holding that the statute imposing penalties for failing to initiate loss adjustment in a timely manner required a fact-based inquiry into the facts surrounding each individual claim before any penalty could be assessed. In April 2012, the Company appealed the judgment to the United States Supreme Court.

Nonetheless, it is certain that this matter cannot resolve itself for any amount below \$6 million, which has been deposited with the trial court in August, 2009. In July 2010, the Louisiana Supreme Court, in keeping with its plenary supervisory jurisdiction, ordered that all further proceedings in both the Oubre and Orrill cases be stayed pending its consideration of the company writ application. The company has recorded additional loss reserves totaling approximately \$100 million associated with this action.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Toni Swain Orrill v. Louisiana Citizens: This is a class action claiming allegations of bad faith with respect to the failure to timely initiate a loss adjustment as well as the failure to timely pay insurance benefits upon receipt of satisfactory proof of loss relating to Katrina and Rita claims. The Company entered into a stipulation of settlement with the Orrill class, which settlement was approved by the trial court, whereby the claims would be settled for \$1,000 per claimant, up to a total amount of \$30 million dollars and \$5 million in attorney's fees

In April 2010, the Court of Appeal issued its ruling, finding that the settlement unfairly affected the rights of the class in Oubre, and issued an order vacating the settlement and remanding the case to trial court for further proceedings. The matter is currently on appeal in the 4th District Court on the issue of whether this was properly certified as to class. If the Company receives an adverse decision, it intends to file writs with the Louisiana Supreme Court asking they review the issue.

The company has recorded loss reserves of approximately \$17 million associated with the the Orrill class action.

Stephanie Press v. Louisiana Citizens: This is a class action whereby the Company failed to provide General Contractor Overhead and Profit (GCOP) for the claims of those insured who sustained damage as a result of Katrina and Rita, and whose damages claims necessitated the retention of three or more trades to complete the necessary renovations/repairs, and as per the Company policy.

During 2010, the Company engaged in settlement discussions with the plaintiff's class counsel, and was able to reach a settlement of this entire class action for \$23 million, which was paid during 2010.

Tracy Thibodeaux, et al. v. Louisiana Citizens: This class action alleges that the Company improperly charged an application fee of \$65 that was not included in the dollar amount of the premium disclosed on the policy of the insurance delivered which constitutes a violation of La Rev Stat 22:627. The plaintiffs seek a refund of the application fee to all individuals who were charged this fee.

This matter was certified as a class action by the court on February 17, 2009 and the Company filed its appeal with the 1st Circuit Court of Appeals. If appeal is denied, the Company will be taking writs to the Supreme Court of Louisiana.

The Company believes that there is a likelihood that they may be able to prevail in this action. However, should the court determine that L R S 22:627 should be strictly construed, and that the application fee does constitute a portion of the premium which must be disclosed, then the Company may be exposed to a judgment that will order them to return the application fee to as many as 178,000 applicants. During 2010, the Company established a reserve associated with this action of approximately \$22.5 million which is included in other accrued expenses.

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 13 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

The Company participated in an arbitration proceeding initiated by a third party service provider related to a dispute that arose between the parties over the quality of adjusting services performed and adequacy of payments made for those services provided relating to Hurricane Katrina claims. Phase one and phase two of arbitration has resulted in an award against the Company in the amount of approximately \$2.5 million in July 2010.

The Company participated in arbitration involving damages resulting from a third party technology company's failure to provide contracted-for services in a professional and workmanlike manner. Settlement of those claims has been completed with an award in the Company's favor of approximately \$500,000 in early 2010.

Various other lawsuits against the Company have arisen in the course of the Company's business, including in excess of 1800 pending suits as of December 31, 2011 associated with hurricanes Rita and Katrina which occurred in 2005. The Company believes it has established appropriate reserves for all lawsuits, in addition to class action claims described above. The Company has no assets that it considers to be impaired.

In addition to claims under the insurance policies it issues, the Company is potentially exposed to various risks of loss, including those related to torts, theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, and natural disasters. As of the end of 2011, the Company had insurance protection in place from various commercial insurance carriers covering various exposures, including workers' compensation, property loss, employee liability, general liability, and directors and officers' liability. Management continuously revisits the limits of coverage and believes that current coverage is adequate. There were no significant reductions in insurance coverage from the previous year.

NOTE 14 – DEPOPULATION

The Louisiana State Legislature created the Company to operate insurance plans as a residual market for residential and commercial property. The legislature further intended that the Company work toward the ultimate depopulation of these residual market plans also known as the Coastal Plan and the FAIR plan. To encourage the ultimate depopulation of these residual market plans, the Louisiana Citizens Property Insurance Corporation Policy Take-Out Program was created.

Under the take-out plan guidelines, not less than once per calendar year, the Company will offer its in-force policies for removal to the voluntary market. The Company will include offers for depopulation policies with all available geographic and risk characteristics that serve to reduce the exposure of the corporation. Each insurer admitted to write homeowners insurance or insurance insuring one- or two-family owner occupied premises for fire and allied lines or insurance which covers commercial structures in the state of Louisiana may apply to the Company to become a take-out company. Insurers will be approved to participate in the depopulation of the Company based on statutory guidelines set forth in accordance with LRS 22:2314 (C).

Louisiana Citizens Property Insurance Corporation

Notes to Statutory Financial Statements

NOTE 14 – DEPOPULATION (CONTINUED)

Policies may be removed from the Company at policy renewal or as part of a bulk assumption. In an assumption, the take-out company is responsible for losses occurring from the assumption date through the expiration of the Company's policy period.

Unearned premiums remitted to take-out companies pursuant to assumption agreements is reflected as a reduction in "Premiums earned" in the Statutory Statement of Operations and totaled \$12,864,678 and \$11,156,966 for the years ended December 31, 2011 and 2010, respectively

The Company provides administration services with respect to the assumed policies. All agreements provide for the take-out company to adjust losses. The take-out company pays a ceding commission to the Company to compensate the Company for policy acquisition costs, which includes servicing company fees and agent commissions. While the Company is not liable to cover claims after the assumption, the Company continues to service policies for items such as policy holder endorsements or cancellation refunds. Should the Company process and provide a refund to policyholders, such amount is subsequently collected from the take-out company. At December 31, 2011 and 2010, assumed premiums in the amount of \$-0- and \$694, respectively, were due from certain take-out companies

NOTE 15 – RECLASSIFICATION

Certain amounts in the 2010 financial statements have been reclassified to conform to 2011 presentation

Louisiana Citizens Property Insurance Corporation

Schedule I - Summary Investment Information December 31, 2011

	Gross investment holdings		Admitted assets as reported in the annual statement	
	Amount	Percentage	Amount	Percentage
Bonds				
Issue by U S government sponsored agencies	\$ 42,492,865	11.237%	\$ 42,492,865	11.237%
Equity interests				
Investments in mutual funds	242,087,976	64.022%	242,087,976	64.022%
Cash, cash equivalents, short-term investments	93,553,675	24.741%	93,553,675	24.741%
Total invested assets	\$ 378,134,516	100.000%	\$ 378,134,516	100.000%

See accompanying independent auditors' report

Louisiana Citizens Property Insurance Corporation

Schedule II - Supplemental Investment Risk Interrogatories December 31, 2011

The following is a summary of certain statutory financial data included in the supplemental investment risk interrogatories

- 1 Total admitted assets as reported on the statutory statement of admitted assets, liabilities and accumulated deficit **\$1,281,287,711**
- 2 By investment category, the ten largest exposures to a single issuer/borrower/investment, excluding (i) U S government, U S government agency securities, and those U S government money market funds listed in the Appendix to the *SVO Purposes and Procedures Manual*, as exempt, (ii) property occupied by the Company, and (iii) policy loans

Issuer	Description of Exposure	Amount	Percentage of total admitted assets
Federated Treas Oblig Fund 398	CS - Money Market Mutual	\$ 184,160,150	14.4%
Regions Trust Cash Sweep	CS-Money Market Mutual	\$ 57,927,826	4.5%
Repurchase Agreement w/ Societe	Short-Term Investments	\$ 28,298,272	2.2%

- 3 Amounts and percentages of the reporting entity's total admitted assets held in bonds and preferred stocks by NAIC rating

Bonds	At Year-end	
	1	2
3 01 NAIC-1	\$ 70,791,137	5.5%

Interrogatories 4 through 19 are not applicable to the Company

See accompanying independent auditors' report

Louisiana Citizens Property Insurance Corporation

Schedule II - Supplemental Investment Risk Interrogatories (Continued) December 31, 2011

20 Amounts and percentages of the reporting entity's total admitted assets subject to the following types of agreements

	At Year-end		At End of Each Quarter		
	1	2	1st Quarter 3	2nd Quarter 4	3rd Quarter 5
20 02 Repurchase agreements	\$ 28,298,272	2 2%	\$ 28,298,272	\$ 28,298,272	\$ 28,298,272

Interrogatories 21 through 23 are not applicable to the Company